

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
February 26, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board (“Board”) held its Regular Meeting on February 26, 2002 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Robert Mariano, and Tobias Barry.

Also in attendance were: Administrator Philip Parenti, Deputy Administrators Thomas Swoik, Joseph Haughey, Allan McDonald, James Wagner, Chief Legal Counsel Mark Ostrowski, Deputy Chief Legal Counsel Jeannette Tamayo, other members of the staff, and one member of the public.

Chairman Jones convened the February 26, 2002 Regular Meeting at 9:37 A.M. in the 3rd floor Board Conference Room. Member Mariano moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (11), (14), and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act to discuss the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Higginbottom seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The member of the public was asked to leave so that the Board could commence its closed session discussion.

The Board convened its Open Session at 1:45 P.M.

Chairman's Report

Chairman Jones thanked the staff of the Illinois Casino Gaming Association and all of those who contributed to making significant progress towards launching the Self-Exclusion Policy. Chairman Jones announced that final draft copies of the Self-Exclusion Policy are now available to the public.

Administrator's Report

Administrator Parenti stated that in regards to the Near North Insurance indictment, staff has reviewed the Gaming Board's various owners including Grand Victoria, Casino Queen, Argoys, Empress, Par-A-Dice, as well as supplier WMS Gaming, Inc., and have determined that they had insurance coverage through Near North Insurance Brokerage Company. Administrator Parenti stated that staff has contacted the FBI and the U.S. Attorney's Office, and at this time it does not appear that any insurance coverage by the owners was allowed to lapse as a result of any alleged illegal activity at Near North. Administrator Parenti stated that staff has advised all of its owner licensees and suppliers to verify their own insurance coverage with their own carriers.

Administrator Parenti announced that Hollywood Casino has filed two separate lawsuits, one in the District Court of Dallas, Texas, which is their state court, and the other in the Federal Court of Dallas, Texas. Administrator Parenti stated that both lawsuits are against Mr. Jack Pratt, former Chairman and CEO of Hollywood Casino Corporation, and Mr. William Pratt. Administrator Parenti stated that the nature of the lawsuits is that there is an alleged misappropriation of funds by Mr. Jack Pratt and an alleged SEC violation for an attempted proxy fight and corporate takeover of Hollywood Casino Corporation. Administrator Parenti stated that Hollywood Casino Corporation is the parent corporation of Hollywood Casino Aurora (HCA) and owns HCA as a 100% subsidiary. Administrator Parenti stated that staff is in the process of monitoring this litigation to determine what, if any, residual financial effect the alleged misappropriation of funds at the parent level may have at HCA. Administrator Parenti stated that Hollywood Casino Corporation and Mr. Pratt are Key Persons, and that within the Gaming Board's Rules, because those entities and Mr. Pratt own more than 5%, it is up to the Illinois Gaming Board to determine their suitability as Key Persons. Administrator Parenti stated that staff would also be monitoring the accounting procedures at the parent corporation level to try to determine how this type of misappropriation occurred. Administrator Parenti stated that the former Deputy Director within the company is performing an internal audit, and Ernst and Young is in the process of conducting an external audit. Administrator Parenti stated that staff had a very cooperative meeting with Ed Pratt III, President and CEO of Hollywood Casino Corporation.

Public Commentary

Terrance A. Norton, Better Government Association, was present to discuss the public's confidence and trust in the Board concerning the credibility and integrity of gambling operations in the State. Mr. Norton stated that much has happened to decrease the public's level of confidence in the gaming industry. Mr. Norton stated that despite the rejection of Emerald's request to renew its license due to organized crime ties with investors, there is still talk on Emerald receiving a windfall profit by selling its license to MGM Grand. Mr. Norton stated that the proposed deal presents itself at a time when the U.S. Attorneys Office has issued subpoenas to the Board seeking all records regarding the potential Emerald Casino in Rosemont. Mr. Norton stated that the proposed deal also presents itself at a time when every candidate for Governor has condemned it. Mr. Norton asked the Board how they could maintain the public confidence in the legitimacy of the deal when people in authority are raising serious questions about it. Mr. Norton stated that if the Board is to be faithful to its statutory mandate to maintain public confidence in the gaming industry, it must listen to what's being said by the public and what they are saying is "don't let them do the deal." Mr. Norton stated that the Better Government Association has recently announced its intention to file a suit that will seek a declaration that the Riverboat Gambling Act is unconstitutional and that neither Emerald nor MGM can operate a casino in Rosemont under it. Mr. Norton stated that the only way that the Board could maintain the public's confidence is to avoid plunging into the unknown. Mr. Norton urged the Board to wait for the legal and investigative clouds to clear and to try to get to the bottom of the issues themselves.

Rev. Alvin R. Abbott was present to discuss gambling in the State of Illinois. Rev. Abbott stated that riverboat gambling was initially allowed on a limited basis in order to help a few depressed communities. Rev. Abbott stated that the communities and the gaming industry benefited, so both groups set out to have some of the rules changed. Rev. Abbott stated that instead of 1-2 hour cruises on the riverboat, the rules were changed to allow 24-hour dockside gambling. Rev. Abbott expressed his opinion on the proposal regarding Emerald Casino and the proposal regarding Empress Casino, Joliet. Rev. Abbott stated that he was opposed to Empress Casino coming to Joliet. Rev. Abbott stated that he, as well as others from his clergy, voiced opposition, but the city fathers were so fascinated by the pictures that were painted that they never responded to their letters. Rev. Abbott stated that over the years it seems that the gaming industry has received whatever they wanted, like having roads named after the casinos, allowing hotels to be built with extra parking, lavish dining, big meeting places, and all night eateries. Rev. Alvin stated that the casino has had more than a financial impact on the community, but little, if any, has been done to improve the quality of life. Rev. Alvin talked about the damaging effects that gambling has on family and business. Rev. Alvin stated that he understands that Empress wants to build a barge to stay in competition with in town neighbors. Rev. Alvin suggested that the Board would allow Empress to build the barge, but it does not mean that they have to increase the number of their slot machines that they proposed. Rev. Alvin stated that Empress could enlarge and compete, and it still would be making enough money to interest the "big boys" in Las Vegas.

But allowing Empress to expand does not mean that Empress should develop the aura of Las Vegas by adding mega numbers of slot machines to entice compulsive gamblers, he stated.

Jack Roeser, President, Family Taxpayers Foundation, was present to discuss the Emerald Casino. Mr. Roeser asked Chairman Jones if the Administrator is operating under the instruction of the Board in negotiations to go ahead with the \$600 million dollar offer for the non-existing license. Chairman Jones stated that Mr. Parenti certainly operates under the direction of the Board, and that he may have his own comments that are to be reflected of what the Board's comments are. Chairman Jones stated that the Board does not control Mr. Parenti's comments. Mr. Roeser stated that he had to ask because the press left it ambiguous. Mr. Roeser stated that the Board should not be negotiating on the sale of a non-existent license. Mr. Roeser refers to the investors of the Emerald casino as gamblers, and stated that the negotiation on the sale of a non-existent license by the Board is to say that these gamblers, who have put their money into Emerald, somehow are being guaranteed against the loss by the State of Illinois. Mr. Roeser stated that the Board does make guarantees for the gamblers on the boat, so why should they make guarantees for investors. Mr. Roeser stated that all of the minority investors of Emerald are chosen ones, and like everyone else that are issued licenses, it is granted at the sufferance of those who control the political ability to issue them. Mr. Roeser read a prepared statement by State Senator Patrick O'Malley regarding Senate Bill 1800, which addresses his concerns regarding the 10th gaming license.

Board Policy Items

SELF-EXCLUSION POLICY – Chairman Jones stated that the policy was submitted in December for Second Notice Filing, that it has been reviewed, that changes have been made through the help of the Illinois Casino Gaming Association and others, and that JCAR has issued a Certificate of No Objection.

Chief Legal Counsel Jeannette Tamayo stated that staff has copies of the final draft of the rules approved by JCAR. Ms. Tamayo stated that the rules would be filed within the next couple of weeks with the Secretary of State to become law. Ms. Tamayo stated that staff would be working with the Illinois Casino Gaming Association and various licensees to establish a date for the adoption of the rule and to see if there are certain procedures that need to be put in place before the rule is applied. Ms. Tamayo stated that riverboat gaming agents will need to be trained, there will be some modifications to the Internal Controls, and the various licensees need to be prepared for handling the self-exclusion request. Ms. Tamayo stated that staff is in the process of working on the application and various forms that a self-excluded person would sign. Ms. Tamayo stated that staff would work with the various licensees on the forms to make sure that they address all of the issues of concern of the Board and the licensees. This will ensure that the program actually accomplish the goal of having an individual identify and take responsibility for having a gambling problem, she added. Ms. Tamayo stated that the Certificate of No Objection was issued and that there were some last minute comments that JCAR made. Ms. Tamayo stated that staff reviewed the comments and made recommendations. Ms. Tamayo stated that JCAR was kind enough to accept those

recommendations. Ms. Tamayo briefed the Board with a short summary as to the procedures a person must follow who is interested in being self-excluded from a riverboat.

Chairman Jones stated that he feels that it has been a very cooperative process by the public, the Illinois Casino Gaming Association, and staff. Chairman Jones stated that there were provision in the policy that the Illinois Casino Gaming Association wanted and certain provisions the casinos wanted. There were also provisions that the Board thought they didn't have the authority to include; however, staff worked to accomplish the best proposal that was possible. Chairman Jones stated that he feels that the policy will be a success.

Member Higginbottom moved that **the Board authorize the final adoption and publishing of the proposed Rule 3000.705, 3000.750, 3000.751, 3000.755, 3000.756, 3000.760, 3000.770, 3000.780, 3000.785, and 3000.790 as revised.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

Owner Licensee Items

HARRAH'S CASINO, METROPOLIS – CHARLES L. ATWOOD, DIRECTOR, - KEY PERSON – Karen Wosnack, Attorney, was present on behalf of Charles L. Atwood to request approval as a Key Person.

Based on a review of the staff's investigation and recommendation, Member Mariano moved that **the Board approve Charles L. Atwood as a Key Person of Harrah's Casino, Metropolis.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON BELLE CASINO – MADONNA M. HORNER, INTERNAL AUDIT MANAGER, – LEVEL ONE – Craig Robinson, Vice President of Internal Audit, was present on behalf of MaDonna M. Horner to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve Madonna M. Horner as a Level 1 Occupational Licensee of Alton Gaming Company.** Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Suppliers Licensees

SHUFFLE MASTER, INC – MARK YOSELOFF – KEY PERSON – Donna More, Attorney, was present on behalf of Mark L. Yoseloff to request approval as a Key Person.

Based on a review of the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve Mark L. Yoseloff as a Key Person of Shuffle Master, Inc.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

KONAMI GAMING, INC. - NEW SUPPLIER – Mr. Walt Stowe, Associate Corporate Counsel and Director of Compliance, was present to request approval of the application of Konami Gaming, Inc.

Based on a review of the staff's investigation and recommendation, Member Mariano moved that **the Board approve the application of Konami Gaming, Inc. for a Supplier's license for a period of one year expiring February 2003 and is approved to provide EGD's pursuant to the requirements set out in the Adopted Rules of the Illinois Gaming Board.**

Member Mariano further moved that, **based on the staff's investigation and recommendation, the Board certify and approve the following entities, positions and persons as Key Persons of the licensee:**

- 1. Konami Corporation;**
- 2. Konami Corporation of America;**
- 3. Chief Executive Officer;**
- 4. President;**
- 5. Kagemasa Kozuki;**
- 6. Koicki Uchida; and**
- 7. Stephen Sutherland.**

Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on a review of the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve 104 applications for an Occupational License Level 2 and 230 applications for an Occupational License Level 3.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Disciplinary Complaints

JOSHUA McCARTHY, CAGE CASHIER - Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board issue a Disciplinary Complaint against Joshua McCarthy, a Level 3 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to his failure to update and disclose his November 29, 2000 arrest.**

Member Rogal further moved that, **the Board revoke Mr. McCarthy's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

SHANNON N. BOCK, CHANGE ATTENDANT - Based on a review of the staff's investigation and recommendation, Member Mariano moved that **the Board issue a Disciplinary Complaint against Shannon N. Bock, a Level 3 Occupational Licensee, for failing to comply with the Act and Board Rules in relation to her July 17, 1997 conviction for Deceptive Practices.**

Member Mariano further moved that **the Board revoke Ms. Bock's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearing/ALJ Report

IN RE TO PATRICK GIANFORTE, NO. DC-00-05 – RECOMMENDED DECISION - Chairman Jones stated that there was a decision rendered by the ALJ and it is now the function of the Board to review the record and the facts to determine whether to adopt it, reject it, or remand it back to the ALJ for further review. Chairman Jones explained to Mr. Aronson, Attorney for Patrick Gianforte, the procedures that the Board would follow when they retire to Closed Session and provided Mr. Aronson the opportunity to address the Board. Chairman Jones also gave Richard Saldinger, Attorney for the Board, a chance to respond and, in turn, a chance for Mr. Aronson to reply.

Mr. Aronson briefed the Board on Mr. Gianforte's employment history in the gaming industry. Mr. Aronson stated that Mr. Gianforte's reputation from the date of his birth until the incident in this case was impeccable. Mr. Aronson stated that Mr. Gianforte conducted hundreds of drawings on the boat with no problem. Suddenly, one day, he gets called in and someone accused him of having something in his hand when he reached into the bin to draw out the winning ticket, Mr. Aronson said. Mr. Aronson stated that for months, IGB investigators tried to connect Mr. Gianforte to the winner of the drawing but they could not. Mr. Gianforte stated that IGB staff went to the State's Attorney of Kane County with the tape and were rejected. Mr. Aronson noted that the Board is dealing with a man's reputation. Mr. Aronson stated that nothing is more important than a man's honesty and integrity. Mr. Aronson stated that no one at the hearing accused Mr. Gianforte of having anything in his hand; they simply said that the drawing looked funny. Mr. Aronson questioned who would risk a \$65,000 a year job and his reputation for any portion of a \$16,500 drawing. Mr. Aronson stated that Mr. Gianforte is well aware of the security camera above the bin and would have had to be totally insane to do what he is being accused of. Mr. Aronson urged the Board to take a very careful look at the record and videotape. Mr. Aronson stated that in regards to the white flash that appears for a second on the videotape, Mr. Gianforte thought that it could be the inside lining of his coat pocket. Mr. Aronson argued that no witness stated that the white flash was the winning ticket or any other type of ticket. Mr. Aronson stated that if there was something in his hand, which there was not, the penalty recommended by the Administrative Law Judge is ultra harsh and not justified by the facts that came out at the hearing.

Mr. Saldinger stated that he stands by the record, the testimony of the witness, the forensic video expert, the former administrator, and all of the evidence that was elicited during the 6-day trial. Mr. Saldinger asked that the Board review the record, adopt the recommended decision of the Administrative Law judge, which recommends that Mr. Gianforte's license be revoked, and make any additional findings that the Board deems appropriate based on the evidence in that record.

Member Rogal asked Mr. Saldinger if there was testimony that there was something in Mr. Gianforte's hand. Mr. Saldinger stated that the forensic video expert testified that in his expert opinion there was an object in Mr. Gianforte's hand when he removed his hand from his pocket. Member Rogal asked if the testimony stated what the object was. Mr. Saldinger stated that there was no testimony as to what that object was.

Chairman Jones asked if there was testimony that the object was white, and he asked if the Board would be able to see the white object on the video. Mr. Saldinger stated that it was testified that the object was white, and that on the video tape the Board would see the white object in his hand when he removes his hand from his pocket.

Member Higginbottom asked if Mr. Gianforte's hand goes directly from his pocket to the drum, and if so, would the Board see that on the videotape. Mr. Saldinger responded yes.

Chairman Jones asked if there were procedures for how the casino should run the drawing from drums. Mr. Saldinger stated that there was an issue that was not resolved at this hearing of whether or not there were formal written procedures. Mr. Saldinger stated that the testimony of the witnesses were that they were instructed by their supervisor to ensure that the integrity of the drawing was protected by doing such things as waiving their hands to the crowd, announcing the drawing, and making it clear to all that were watching that the drawing was being conducted fairly. Mr. Saldinger stated that those oral guidelines were given to all of the Executive Hosts, and that was the testimony of Mr. Gianforte's direct supervisor.

Member Higginbottom asked if Mr. Gianforte had followed any of the guidelines mentioned. Mr. Saldinger stated that he did not.

Member Mariano asked if it was fair to say that the casino did not have clear-cut written procedures for this particular activity. Mr. Saldinger stated that the record speaks for itself, and that there was no testimony that there were any clear-cut written procedures that were presented to the Executive Hosts. Mr. Saldinger stated that written procedures were not an issue in the case.

Mr. Aronson replied by saying that an expert witness was flown in from the Louisville, Kentucky, Police Department, who is a self-taught video expert. Mr. Aronson stated that the key word in the expert's testimony was that when Mr. Gianforte's hand came out of his

pocket, he saw something “flowing.” Mr. Aronson stated that a ticket could not look like a flowing object. With regards to procedures, Mr. Aronson stated that the Grand Victoria had no procedures in place with regards to conducting a drawing.

Chairman Jones stated that something is seen on the tape. Chairman Jones asked Mr. Aronson what his sense is on what the object could be. Mr. Aronson stated that it could be the light reflecting down on a piece of jewelry, it could be a piece of the inside lining of Mr. Gianforte’s coat pocket. Mr. Aronson stated that no one was able to determine it, not even the Board’s witnesses.

Member Mariano asked if Mr. Gianforte’s testimony is that there was nothing in his hand, and, if so, how does he explain the white object. Mr. Aronson stated that it is Mr. Gianforte’s testimony that he had nothing in his hand, and that he can’t explain the white object.

Member Higginbottom asked the color of Mr. Gianforte’s coat. Mr. Aronson stated that it was black. Member Higginbottom stated that they don’t usually put white linings in a black coat. Member Higginbottom asked if the jacket was checked. Mr. Aronson stated that he has the jacket and that he and Mr. Saldinger, who took pictures of the jacket, checked it. Mr. Aronson stated that the lining is grayish white.

At 3:15 P.M. pursuant to Section 2(c), paragraphs 4 and 11 of the Open Meetings Act, Member Mariano moved that **the Board retire to Closed Session to discuss the following matters:**

- 1. Pending litigation; and**
- 2. Evidence and testimony presented in open hearing.**

Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

The Board adjourned Closed Session at 6:15 P.M.

Respectfully submitted,

Monica Thomas
Secretary to the Board